

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7660

BILL NUMBER: HB 1662

DATE PREPARED: Jan 10, 1999

BILL AMENDED:

SUBJECT: Affidavits from worker's compensation coverage.

FISCAL ANALYST: Brian Tabor

PHONE NUMBER: 233-9456

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill makes the following changes to worker's compensation (WC) law:

- *Exemption of residential property:* Excludes work done on owner-occupied residential property from requiring a certificate authorizing the carrying of risk without insurance.
- *Increased filing fee:* Changes the filing fee for a certificate of exemption from WC provisions for independent contractors from \$5 to \$20.
- *Effective date change:* Provides that an affidavit of exemption from WC for independent contractors becomes effective as of midnight seven business days after the date of receipt.
- *New criminal penalty:* Provides that a contractor who knowingly and intentionally causes or assists employees, including temporary employees, to file an affidavit of exemption commits a Class C felony.

Effective Date: July 1, 1999.

Explanation of State Expenditures: *Exemption of residential property:* This provision affects certain requirements related to contracting work done on residential property. State and local units would not be affected.

Effective date change: This proposal changes the effective date of an affidavit of exemption from the date the affidavit is received by the Worker's Compensation Board (WCB) to seven days after receipt. This provision would not have a state or local impact.

New criminal penalty: Under this bill, a contractor who causes an employee to file (or assists an employee

in the filing of) an affidavit of exemption would commit a Class C felony. A Class C felony is punishable by a prison term ranging from 2 to 8 years depending upon mitigating and aggravating circumstances. The average expenditure to house an adult offender was \$20,500 in FY 97. Individual facility expenditures range from \$11,000 to \$27,000. (This does not include the cost of new construction.) If offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately \$1,825 annually or \$5 daily per prisoner. The average length of stay in DOC facilities for all Class C felony offenders is approximately one year, seven months.

Explanation of State Revenues: *Increased filing fee:* This bill increases the filing fee paid to the WCB for affidavits of exemption from \$5 to \$20. In FY 1998, \$44,285 was collected from this fee. Assuming annual fee collections remain constant, \$177,140 (\$44,285 x 4) could be collected each fiscal year. Half of the amount collected is deposited in the Worker's Compensation Supplemental Administrative Fund. The remaining half is deposited in the Independent Contractor Information Account in the state General Fund.

New criminal penalty: If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund could increase. The maximum fine for a Class C felony is \$10,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, county or municipal court (courts of record), 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: *New criminal penalty:* If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. The average cost per day is approximately \$44.

Explanation of Local Revenues: *New criminal penalty:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed, and if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed, and if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: WCB, Department of Correction.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Katrina Clingerman, Policy Analyst, WCB, (317) 233-3382; Indiana Sheriffs Association; Department of Correction.